



# Wealth Resources and Protection

## Credit 101

A credit report is a statement that has information about your credit activity and current credit situation such as loan paying history and the status of your credit accounts.

Credit reporting companies, also known as credit bureaus or consumer reporting agencies, collect and store financial data about you that is submitted to them by creditors, such as lenders, credit card companies, and other financial companies. Creditors are not required to report to every credit reporting company.

Lenders use these reports to help them decide if they will loan you money, what interest rates they will offer you. Lenders also use your credit report to determine whether you continue to meet the terms of an existing credit account.

Other businesses might use your credit reports to determine whether to offer you insurance; rent a house or apartment to you; provide you with cable TV, internet, utility, or cell phone service. If you agree to let an employer look at your credit report, it may also be used to make employment decisions about you.

There are 3 main credit report bureaus - Experian, Equifax and TransUnion. There are many sub-bureaus as well, but we'll come back to that.

Some banks use all 3 to make financial decisions about you, some use one or two. Knowing which banks and credit unions use which bureau(s) is critical in your search for funding.

There are two types of measurement that they all use - FICO scoring and Vanguard. FICO is the most used. Vanguard tends to be lower scores but both have a range from 350 to 850. You need at least a 720 FICO score on all 3 bureaus to start looking for funding, not that you can't get some funding below that, but it won't be as much.

There are many mistakes people make that come back to haunt them on their credit reports - bankruptcy is about the worst.

TIP: They'll tell you that a short-sell on your house is not as bad as a bankruptcy, but it is - they just don't want you to file bankruptcy.

Other negatives that chip away the most on your score are late payments and charge-offs, where the company wrote you off and/or sent your account to a collection agency. The collection agency can then be on your credit report as well as the original account holder. This is a double whammy.

TIP: When you make an agreement to pay off a debt, make sure you get it in writing that they will remove the negatives off your credit reports.



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### What kind of information appears on a credit report?

#### Personal information

- Your name and any name you may have used in the past in connection with a credit account, including nicknames
- Current and former addresses
- Birth date
- Social Security number
- Phone numbers

#### Credit accounts

- Current and historical credit accounts, including the type of account (mortgage, installment, revolving, etc.)
- The credit limit or amount
- Account balance
- Account payment history
- The date the account was opened and closed
- The name of the creditor

#### Collection items

- Missed payments
- Loans sent to collections
- Information on overdue child support provided by a state or local child support agency or verified by any local, state, or federal government agency

#### Public records

- Liens
- [Foreclosures](#)
- [Bankruptcies](#)
- Civil suits and [judgments](#)

#### Inquiries

- Companies that have [accessed your credit report](#).



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The worst case I've seen is a man who went through a bad couple of years and just stopped paying on about 12 different accounts. If he'd have called them and made even minimal payments, most would have cooperated. He came to me when they were still fresh - within the last year or two. What a mess.

Your credit history stays on your report for seven years, bankruptcies up to 10 years. Even though the credit reporting companies usually won't report negative information after the seven year limit, they still may keep your information on file.

There are certain instances where they will report it. These time limits on reporting negative information do not apply if the credit report will be used in connection with:

- Your application for a job that pays more than \$75,000 a year
- Your application for more than \$150,000 worth of credit or life insurance

Sometimes the 3 bureaus won't agree exactly on some accounts, so you have to look at all 3 to see what can be done to clean your history up.

Sometimes there are errors on your credit reporting - you should check it to see if that's the case. If you have a problem with credit reporting, you can submit a complaint with the CFPB [online](#) or by calling (855) 411-CFPB (2372)..

It's hard to get some events off of your credit report, especially if they are legitimate, but I've learned some tricks that have worked for me and my clients. You have to know the laws and how they can work in your favor.

(Hard) Inquiries are where you have applied for credit and they have checked your scores to see whether to loan you money or not. More than 2 is bad, although each is just a few points, but more than that makes you look like more of a risk.

Reporting Inquiries as Identity Theft used to work, but now they have tightened up on that. It still works sometimes though - just making the bureaus check will get rid of some because the companies don't always respond with proof that it was really you.

Soft inquiries do not affect your credit, however, if you've made several applications to the same company and they rejected you the first time, odds are they'll never reverse that decision.

Ex: I got rejected for a loan (SoFi) for \$5K. Then I put my knowledge to the real test and brought my own scores up 100 points. They still rejected me while Chase approved me for a loan of \$60K. So soft inquiries can matter.